

MASON COUNTY FIRE DISTRICT NO. 2
Mason County, Washington
January 1, 1993 Through December 31, 1995

Schedule Of Findings

1. Ambulance Billing Internal Controls Should Be Improved

Mason County Fire District No. 2 receives more than \$175,000 per year in revenue from ambulance fees. The billing and accounts receivable system, including write-offs, was contracted out to Systems Design, a private company. Ambulance billings have a fairly high rate of disallowed costs by insurance companies and a large number of uncollectible accounts. This sometimes created a situation where the amount finally received by the district was less than what the district billed the patient. The district received summary information from Systems Design, such as number of patients billed, amounts of cash receipted, and accounts written off. However, the district did not receive enough information to reconcile the number of emergency calls answered by the district, and their subsequent billing, with the revenue eventually received through Systems Design. RCW 43.09.200 states in part:

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

The lack of segregation of billing and accounts receivable functions, combined with the lack of district oversight and a high rate of disallowed costs and uncollectible accounts, could lead to errors or irregularities which would not be detected.

The district contracted the ambulance billing and receipting system because it was determined to be cost effective.

We recommend the district determine a method to reconcile their patient billings with the information provided by Systems Design.

Auditee's Response

We have met with the subcontractor and discussed the issue. We evaluated other districts' accounting and billing procedures. We then hired a computer consultant to refine our accounting and incident reporting system. In addition to patient name and billing date, we have assigned a unique identification number to the bill. Systems Design provides the Fire District a detailed

monthly report by patient name, unique identification number and billing amount. We receive a detailed report from our subcontractor that references both the name and unique ID number to determine that the patients are getting accurately billed, the write-off amount per medicare and insurance company regulations is accurate and actual amount collected. We believe this should resolve this issue.

Auditor's Concluding Remarks

We appreciate the district officials' commitment to resolve the issues noted in our finding. Based on their response, the recommendations are being addressed and we will review these areas again in our next audit of the district.

We wish to thank the district personnel and management for their cooperation and assistance during the audit.